



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
METCALFE COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE METCALFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Metcalfe County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$138,018 from the prior fiscal year, resulting in a cash surplus of \$565,071 as of June 30, 2000.

Debt Obligations:

Lease purchase principal agreements totaled \$118,758 as of June 30, 2000. Future principal and interest payments of \$131,114 are needed to meet these obligations.

Report Comments:

- Accurate Accounting Records Should Be Maintained By The County
- Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Personnel Files Should Be Properly Maintained For County Employees
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The fiscal court's deposits were uninsured and uncollateralized by bank securities or bonds by \$9,441 on June 30, 2000.

<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
METCALFE COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	13
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	21
SCHEDULE OF OPERATING REVENUE	25
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	29
SCHEDULE OF UNBUDGETED EXPENDITURES	33
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	37
COMMENTS AND RECOMMENDATIONS	29
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Don M. Butler II, Metcalfe County Judge/Executive

Members of the Metcalfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Metcalfe County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Metcalfe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Metcalfe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Metcalfe County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Don M. Butler II, Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2001 on our consideration of Metcalfe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Metcalfe County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Accurate Accounting Records Should Be Maintained By The County
- Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Personnel Files Should Be Properly Maintained For County Employees
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 2001

METCALFE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

Fiscal Court Members:

Don M. Butler II	County Judge/Executive
Jessie L. Harper	Magistrate
Barry D. Steele	Magistrate
Greg White	Magistrate
Ervin Blythe	Magistrate

Other Elected Officials:

John P. Blevins	County Attorney
Jimmy L. Edwards	Jailer
Carol E. England	County Clerk
Mary M. Shive	Circuit Court Clerk
Rondal Shirley	Sheriff
Micheal Welsh	Property Valuation Administrator
Larry N. Wilson	Coroner

Appointed Personnel:

Martha C. Richardson	County Treasurer
Debi King	Occupational Tax Collector
Angie D. Tucker	Finance Officer
Dean Rowe	Road Supervisor

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

METCALFE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:		
Cash	\$	100,719
Road and Bridge Fund:		
Cash		246,196
Jail Fund:		
Cash		7,094
Local Government Economic Assistance Fund:		
Cash		1,625
Ambulance Fund:		
Cash		199,969
County Parks Fund:		
Cash		561
Disaster and Emergency Services Fund:		
Cash		3,182
Animal Disposal Fund:		
Cash		3,111
Due From General Fund		392
Payroll Revolving Account - Cash	1,001	\$ 563,850

Special Revenue Fund Type

Animal Shelter Fund:	
Cash	1,613
Total Assets	\$ 565,463

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
 June 30, 2000

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund - Due to Animal Disposal Fund	\$	392
Payroll Revolving Account		1,001

Unreserved Fund Balances

General Fund Type

General Fund	\$	100,327	
Road and Bridge Fund		246,196	
Jail Fund		7,094	
Local Government Economic Assistance Fund		1,625	
Ambulance Fund		199,969	
County Parks Fund		561	
Disaster and Emergency Services Fund		3,182	
Animal Disposal Fund		3,503	562,457

Special Revenue Fund Type

Animal Shelter Fund			1,613
---------------------	--	--	-------

Total Liabilities and Fund Balances	\$		<u>565,463</u>
-------------------------------------	----	--	----------------

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

METCALFE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,918,648	\$ 846,023	\$ 866,530	\$ 36,199
Transfers In	330,790	111,859	94,500	101,824
Borrowed Money	50,000	50,000		
Total Cash Receipts	<u>\$ 2,299,438</u>	<u>\$ 1,007,882</u>	<u>\$ 961,030</u>	<u>\$ 138,023</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,778,003	\$ 732,255	\$ 689,740	\$ 117,916
Schedule of Unbudgeted Expenditures	1,924			
Transfers Out	330,790	149,931	146,301	30,000
Borrowed Money Repaid	50,000	50,000		
Total Cash Disbursements	<u>\$ 2,160,717</u>	<u>\$ 932,186</u>	<u>\$ 836,041</u>	<u>\$ 147,916</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 138,721	\$ 75,696	\$ 124,989	\$ (9,893)
Cash Balance - July 1, 1999	<u>425,349</u>	<u>25,023</u>	<u>121,207</u>	<u>16,987</u>
Cash Balance - June 30, 2000	<u>\$ 564,070</u>	<u>\$ 100,719</u>	<u>\$ 246,196</u>	<u>\$ 7,094</u>

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type					
Local Government Economic Assistance Fund	Ambulance Fund	County Parks Fund	Disaster and Emergency Services Fund	Courthouse Fund	Animal Disposal Fund
\$ 2,615 2,400	\$ 158,036	\$ 2,621 7,000	\$ 6,554 8,207	\$ 37	\$ 5,000
\$ 5,015	\$ 158,036	\$ 9,621	\$ 14,761	\$ 37	\$ 5,000
\$ 7,355	\$ 130,521	\$ 87,496 3,500	\$ 12,720 1,000	\$ 35 58	\$ 1,889
\$ 7,355	\$ 130,521	\$ 90,996	\$ 13,720	\$ 93	\$ 1,889
\$ (2,340) 3,965	\$ 27,515 172,454	\$ (81,375) 81,936	\$ 1,041 2,141	\$ (56) 56	\$ 3,111
\$ 1,625	\$ 199,969	\$ 561	\$ 3,182	\$ 0	\$ 3,111

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 2000
 (Continued)

	Special Revenue Fund Type
<u>Cash Receipts</u>	<u>Animal Shelter Fund</u>
Schedule of Operating Revenue	\$ 33
Transfers In	
Borrowed Money	
Total Cash Receipts	<u>\$ 33</u>
<u>Cash Disbursements</u>	
Comparative Schedule of Final Budget and Budgeted Expenditures	\$
Schedule of Unbudgeted Expenditures	
Transfers Out	
Borrowed Money Repaid	
Total Cash Disbursements	<u>\$</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 33
Cash Balance - July 1, 1999	<u>1,580</u>
Cash Balance - June 30, 2000	<u><u>\$ 1,613</u></u>

The accompanying notes are an integral part of the financial statements.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Metcalfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Metcalfe County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Metcalfe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Metcalfe County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Metcalfe County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Ambulance Fund, County Parks Fund, Disaster and Emergency Services Fund, Courthouse Fund, and the Animal Disposal Fund.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Animal Shelter Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Metcalfe County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget was not adopted for the Special Revenue Fund Type, which includes the Animal Shelter Fund. This fund consists of donations from private citizens for the purpose of constructing an animal shelter when sufficient funds become available. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

METCALFE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Note 1. E. Cash and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Metcalfe County Fiscal Court:

Metcalfe County Extension District	Metcalfe County Industrial Development Authority
Metcalfe County Library District	Metcalfe Health Services, Incorporated

Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The following are joint ventures in which Metcalfe County is a participant:

Ambulance Service Corporation, Incorporated
 Barren Metcalfe County Emergency Communications Center

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of August 31, 1999 and June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$88,994 and \$9,441, respectively, of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county's agent in the county's name	\$ 591,563
Uncollateralized and uninsured	<u>9,441</u>
Total	<u><u>\$ 601,004</u></u>

Note 4. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance 6/30/00</u>
Road Equipment	Varies	60 months	12/20/02	\$ 13,477
Road Grader	Varies	60 months	01/20/05	\$ 61,284
Fire Truck	Varies	120 months	03/20/06	\$ 40,999
Copy Machine	\$ 115	36 months	08/23/02	\$ 2,998

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 5. Related Party Transactions

For the fiscal year ended June 30, 2000, the fiscal court paid \$1,400 to Edmonton Rental Properties for rent on a storage facility for the Metcalfe County Clerk's Office. The Metcalfe County Attorney, John Paul Blevins, is a half owner in Edmonton Rental Properties. The facility is used to store electronic voting machines which require that the storage space be heated and within walking distance of the County Clerk's office. Also, the fiscal court paid \$2,500 to Metcalfe County Jailer, Jimmy L. Edwards for a steel roller for the county's road department. Neither of these transactions appear to be in violation of the county's ethics code.

Note 6. Subsequent Events

Proposed Bond Issue

On May 16, 2000, the Metcalfe County Fiscal Court voted to accept a proposal from J.J.B. Hillard, W. L. Lyons, Incorporated, to serve as Financial Advisor for the issuance of \$5,450,000 in revenue bonds for the purpose of financing the construction of a new Administrative Office of the Courts Facility. The fiscal court also passed a resolution of official intent which allows the county to be reimbursed for capital expenditures relating to the project. As of the audit date, Metcalfe County has borrowed \$275,676 from the Edmonton State Bank for the purpose of acquiring property and paying architectural fees for this project. These funds are to be reimbursed to the County from the bond proceeds.

Lease Purchase Agreements

On August 29, 2000 Metcalfe County entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program to finance the purchase of computer and telephone equipment. The principal amount of the agreement was \$22,985 with an interest rate of 4.5%. Terms of the lease purchase agreement call for 36 monthly payments beginning October 20, 2000 and ending on September 20, 2003.

On March 6, 2001, Metcalfe County entered into a lease purchase agreement with Kentucky Association of Counties Leasing Trust Program to finance the purchase of 3 trucks for the county's road department. The principal amount of the agreement was \$90,000 with an interest rate of 3.9%. Terms of the lease agreement call for 60 monthly interest payments and 5 annual principal payments beginning on April 20, 2001 and ending on March 20, 2006

Note 7. Insurance

For the fiscal year ended June 30, 2000, Metcalfe County was a member of the Kentucky Association of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 884,135	\$ 846,023	\$ (38,112)
Road and Bridge Fund	867,048	866,530	(518)
Jail Fund	33,463	36,199	2,736
Local Government Economic Assistance Fund	4,722	2,615	(2,107)
Ambulance Fund	130,522	158,036	27,514
County Parks Fund	4,400	2,621	(1,779)
Disaster and Emergency Service Fund	6,228	6,554	326
Totals	<u>\$ 1,930,518</u>	<u>\$ 1,918,578</u>	<u>\$ (11,940)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 1,930,518
Add: Budgeted Prior Year Surplus	<u>437,100</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 2,367,618</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Revenue Categories	GOVERNMENTAL FUND TYPES		
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type
Taxes	\$ 848,016	\$ 848,016	\$
In Lieu Tax Payments	33,900	33,900	
Excess Fees	16,456	16,456	
License and Permits	3,533	3,533	
Intergovernmental Revenues	895,101	895,101	
Charges for Services	70	70	
Miscellaneous Revenues	93,397	93,397	
Interest Earned	28,175	28,142	33
Total Operating Revenue	<u>\$ 1,918,648</u>	<u>\$ 1,918,615</u>	<u>\$ 33</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 331,395	\$ 380,359	\$ (48,964)
Protection to Persons and Property	573,445	390,378	183,067
General Health and Sanitation	47,080	46,583	497
Social Services	2,100	2,000	100
Recreation and Culture	112,344	90,259	22,085
Roads	748,234	553,699	194,535
Debt Service	102,400	102,279	121
Administration	440,558	202,384	238,174
Auditor's Payroll Adjustment	10,062	10,062	
Total Operating Budget - All General Fund Types	\$ 2,367,618	\$ 1,778,003	\$ 589,615
Other Financing Uses:			
Borrowed Money-			
Principal	50,000	50,000	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 2,417,618</u>	<u>\$ 1,828,003</u>	<u>\$ 589,615</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF UNBUDGETED EXPENDITURES

METCALFE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Courthouse Fund</u>	<u>Animal Disposal Fund</u>
Flowers	\$ 35	\$
Dead Animal Disposal		<u>1,889</u>
Totals	<u>\$ 35</u>	<u>\$ 1,889</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Don M. Butler II, Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Metcalfe County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Metcalfe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- Claims Should Be Presented To The Fiscal Court For Review Prior To Payment
- Proper Personnel Files Should Be Maintained For County Employees
- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metcalfe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Metcalfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- Accurate Accounting Records Should Be Maintained By The County

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 7, 2001

COMMENTS AND RECOMMENDATIONS

METCALFE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

1) Accurate Accounting Records Should Be Maintained By The County

The County's receipts and appropriation ledgers were not accurately posted resulting in an inaccurate financial statement. Although the county maintained two appropriations ledgers, one of the appropriations ledgers was not completed, and it does not appear that they were reconciled properly. Errors in the financial records included the following:

- a. The Road Fund Cost Allocation amounts totaling \$51,801 were improperly posted as a budget amendment to the General Fund resulting in an overstatement of the total available General Fund budget.
- b. Numerous cash transfers between funds totaling \$218,524 were improperly posted as budget transfers resulting in an overstatement of the total available budget by this amount.
- c. Numerous cash transfers between funds were improperly posted as operating expenditures. Six cash transfers totaling \$128,724 and one Road Fund expenditure totaling \$280 were improperly posted as operating expenditures in the General Fund Reserve For Transfers account. One cash transfer totaling \$30,000 was improperly posted as an operating expenditure to the Jail Fund Reserve For Transfers account. The Reserve For Transfers account is not an expenditure account and no expenditures should be posted directly to this account. Other cash transfers posted as operating expenditures included a \$1,000 cash transfer from the Disaster Emergency Services Fund and a cash transfer of \$3,500 from the Park Fund.
- d. A check for \$13,567 was not posted to the General Fund appropriations ledger.
- e. Payroll amounts transferred to the Payroll Revolving Account were not accurately posted to the county's appropriations ledger. The auditors determined that \$10,061 paid from various funds for payroll expenditures was not posted to the appropriations ledger.
- f. Several receipts were posted to incorrect receipt accounts and were reclassified.

We recommend that accurate accounting records be maintained in the future and that the two appropriations ledgers be reconciled regularly.

Honorable D. M. Butler, II - County Judge/Executive's Response:

A new computer accounting system had been installed, which the CT and FO had never used. Information and instructions as to use was sought from the vendor/programmer, and either through miscommunication or misunderstanding each of the above referenced, were misclassified in the accounting system, and therefore were posted incorrectly, creating the errors found by the auditors. Because of the problems that the CT was having with this accounting system, our office began investigating and looking at other systems for county governments accounting. We have changed accounting systems, and through assistance from the Auditor's office and DLG, you will note from the enclosed documents of our present accounting system posting and classification has been corrected.

Please note that beginning with FY 00/01 two {2} separate computer accounting systems have been installed in our office. One system is networked and shared with the FO and OTA and the other system is only accessible to the CT.

METCALFE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2000
(Continued)

NONCOMPLIANCE

2) Claims Should Be Presented To The Fiscal Court For Review Prior To Payment

Based on our test of expenditures, several payments were not submitted to the fiscal court for review prior to payment. KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment. The fiscal court, for good cause shown, may order that a claim not be paid. The fiscal court may adopt an order, called a standing order, to pre-approve the payment of recurrent monthly payroll and utility expenses without the written consent of the state local finance officer. No other expenses shall be pre-approved without written consent of the state local finance officer. We recommend that all claims be presented to the fiscal court for review, prior to payment and that this review be documented in the fiscal court orders.

Honorable D. M. Butler, II - County Judge/Executive's Response:

All claims were presented to the court, and the court discussed and approved the same. Because some of the claims were outstanding from previous administration, and the present administration did not have funds for the first six months of administration, until after 07/01/99, and when funds became available these claims were immediately paid because the vendors were demanding payment. Though the court approved the claims, the claims lists were not presented to the Metcalfe County Clerk for recordation through error. This situation has been changed and a detailed listing of all claims is now being recorded.

3) Personnel Files Should Be Properly Maintained For County Employees

During our test of payroll expenditures, we noted that one employee's file did not have any information in it. Another employee's file did not contain a K-4 form and the K-4 and W-4 forms for three other employees were out of date. Timesheets were not available for the test period for two individuals. KRS 337.320 requires that every employer keep a record of: a) the amount paid each pay period to each employee; b) the hours worked each day and each week by each employee; and c) such other information the secretary requires. Such records shall be kept on file at least one (1) year after entry. We recommend that updated personnel files and timesheets be maintained for all county employees.

Honorable D. M. Butler, II - County Judge/Executive's Response:

All personnel files have been reviewed, updated with all documents that are required by statute and are now being checked on regularly. The employee that did not have documentation in his file is an elected official and on repeated requests refused to either come to the office of the J/E and fill out the documents, and after said documents were mailed to him, never returned them until the auditor personally spoke with him. Timesheets were being kept, however, they were not in the files and were not accessible and available during the audit. This situation has changed. Timesheets are now being kept in all personnel files that are required and as "backup" a copy of each time sheet is made and kept in each department files. Our new payroll accounting system has an individual file on each personnel with the pertinent information as to pay period, regular hours, holiday hours, vacation hours, hourly wages, date of employment, etc. These documents are printed and filed.

METCALFE COUNTY
 COMMENTS AND RECOMMENDATIONS
 Fiscal Year Ended June 30, 2000
 (Continued)

NONCOMPLIANCE (Continued)

3) Personnel Files Should Be Properly Maintained For County Employees

Honorable D. M. Butler, II - County Judge/Executive's Response: (Continued)

The Payroll Clerk has created new personnel files for each employee of the Metcalfe County Fiscal Court and a policy has been issued from the J/E and CT that payroll checks will not be processed until we have the timesheets from the individual departments and we further will not process unless all signatures are originals as required.

4) The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 1999 and June 30, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$88,994 and \$9,441, respectively, of public funds uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Honorable D. M. Butler, II - County Judge/Executive's Response:

The agreement for pledged securities with Edmonton State Bank and the bank of record for Metcalfe County Fiscal Court, dated 07/01/99, was in the amount of \$500,000. It was found by the CT that this amount was insufficient to cover our funds and should be raised and the Edmonton State Bank was contacted. We had to wait until the Board of Directors of ESB met to approve said increase, and on October 1, 1999, the agreement for pledged securities was raised to \$700,000. The auditors check the period of time 07/01/99 and 10/01/99 and at that time the amount would have been insufficient, however, as previously stated the CT had contacted the Edmonton State as to the agreement for pledged securities being increased. The agreement dated 10/01/99 remained in effect until 08/08/00 when a new agreement for pledged securities was entered into with Edmonton State Bank in the sum of \$1,500,000, which is for a two [2] year period [08/08/02] or when in fact it is found that the agreement of pledged securities must be raised because our funds have reached that amount and could go over. Not only have we asked the Edmonton State Bank to keep check on this situation, our office is checking it regularly

PRIOR YEAR FINDINGS

In the prior year audit report, we made the following comments and recommendations:

- Personnel Files Should Be Properly Maintained For County Employees
- Accurate Accounting Records Should Be Maintained By The County

These findings have not been corrected and have been commented on in the current audit report.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

METCALFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
METCALFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Metcalfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer